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**Providence House
Shreveport, Louisiana**

Financial Statements

As of and for the Years Ended September 30, 1999 and 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date APR 19 2000

Providence House

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Independent Auditors' Report

To the Board of Directors
Providence House

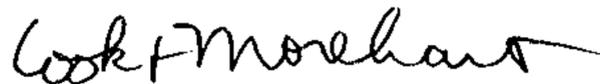
We have audited the accompanying statements of financial position of Providence House (a nonprofit organization) as of September 30, 1999 and 1998, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Providence House's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Providence House as of September 30, 1999 and 1998, and the changes in its net assets and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 17, 2000, on our consideration of Providence House's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Cook and Morehart
Certified Public Accountants
March 17, 2000

Providence House
 Statements of Financial Position
 September 30, 1999 and 1998

Assets	<u>1999</u>	<u>1998</u>
<i>Current assets:</i>		
Cash and equivalents	\$ 157,334	\$ 87,598
Investments	289,172	223,535
Grant receivables	90,755	75,971
Other receivables	991	168
Total current assets	<u>538,252</u>	<u>387,272</u>
Property and equipment	571,845	493,179
Accumulated depreciation	(201,985)	(149,075)
Net property and equipment	<u>369,860</u>	<u>344,104</u>
<i>Other assets:</i>		
Restricted cash – resettlement funds	<u>42,033</u>	<u>42,457</u>
Total Assets	<u><u>\$ 950,145</u></u>	<u><u>\$ 773,833</u></u>
 <i>Liabilities and Net Assets</i>		
<i>Current liabilities:</i>		
Accounts payable	\$ 30,005	\$ 27,200
Accrued expenses	40,111	36,744
Total current liabilities	<u>70,116</u>	<u>63,944</u>
Escrowed resettlement funds	42,033	42,457
Total liabilities	<u>112,149</u>	<u>106,401</u>
<i>Net assets:</i>		
<i>Unrestricted:</i>		
Operating	179,588	157,462
Fixed assets	369,860	344,104
Board designated	258,148	154,469
Total unrestricted	<u>807,596</u>	<u>656,035</u>
Temporarily restricted	<u>30,400</u>	<u>11,397</u>
Total net assets	<u>837,996</u>	<u>667,432</u>
Total Liabilities and Net Assets	<u><u>\$ 950,145</u></u>	<u><u>\$ 773,833</u></u>

The accompanying notes are an integral part of the financial statements.

Providence House
Statement of Activities
For the Year Ended September 30, 1999

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Other Support:			
Contractual revenue – grants	\$ 561,471	\$	\$ 561,471
United Way allocation	81,833		81,833
Donations and contributions	518,846	30,400	549,246
Other income	37,676		37,676
Interest income	13,358		13,358
Net unrealized losses on investments			
Net assets released from restrictions:			
Restrictions satisfied by expending funds for the purpose intended	11,397	(11,397)	
Total revenues and other support	<u>1,224,581</u>	<u>19,003</u>	<u>1,243,584</u>
Functional Expenses:			
Program services	929,770		929,770
General administrative	79,992		79,992
Fund raising	63,258		63,258
Total expenses	<u>1,073,020</u>		<u>1,073,020</u>
Change in net assets	151,561	19,003	170,564
Net assets as of beginning of year	<u>656,035</u>	<u>11,397</u>	<u>667,432</u>
Net assets as of end of year	<u>\$ 807,596</u>	<u>\$ 30,400</u>	<u>\$ 837,996</u>

The accompanying notes are an integral part of the financial statements.

Providence House
Statement of Activities
For the Year Ended September 30, 1998

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Other Support:			
Contractual revenue – grants	\$ 489,178	\$	\$ 489,178
United Way allocation	64,520		64,520
Donations and contributions	462,052	20,000	482,052
Other income	3,272		3,272
Interest income	11,564		11,564
Net unrealized losses on investments	(17,681)		(17,681)
<i>Net assets released from restrictions:</i>			
Restrictions satisfied by expending funds for the purpose intended	8,603	(8,603)	
Total revenues and other support	<u>1,021,508</u>	<u>11,397</u>	<u>1,032,905</u>
Functional Expenses:			
Program services	759,949		759,949
General administrative	92,878		92,878
Fund raising	22,152		22,152
Total expenses	<u>874,979</u>		<u>874,979</u>
Change in net assets	146,529	11,397	157,926
Net assets as of beginning of year	<u>509,506</u>		<u>509,506</u>
Net assets as of end of year	<u>\$ 656,035</u>	<u>\$ 11,397</u>	<u>\$ 667,432</u>

The accompanying notes are an integral part of the financial statements.

Providence House
Statement of Functional Expenses
For the Year Ended September 30, 1999

Expenses:	Program Services	General Administration	Fund Raising	Total
Salaries and wages	\$ 468,974	\$ 27,388	\$ 25,075	\$ 521,437
Employee benefits	51,094	2,983	2,731	56,808
Payroll taxes and workers compensation	49,952	2,917	2,670	55,539
Office expense	18,595	7,969	32,185	58,749
Legal and accounting		5,000		5,000
Telephone	4,778	597	597	5,972
Utilities	38,839			38,839
Insurance	11,766			11,766
Repairs and maintenance	37,487			37,487
Vehicles	1,321			1,321
Resident expenses	44,830			44,830
Childrens' summer program	11,531			11,531
Resident graduation program	12,600			12,600
Resident counseling program	20,810			20,810
Offsite supportive housing	112,581			112,581
Travel and training		10,531		10,531
Other	2,000	12,309		14,309
Depreciation	42,612	10,298		52,910
Total expenses	\$ 929,770	\$ 79,992	\$ 63,258	\$ 1,073,020

The accompanying notes are an integral part of the financial statements.

Providence House
Statement of Functional Expenses
For the Year Ended September 30, 1998

	<u>Program Services</u>	<u>General Administration</u>	<u>Fund Raising</u>	<u>Total</u>
Expenses:				
Salaries and wages	\$ 379,702	\$ 46,328	\$ 11,854	\$ 437,884
Employee benefits	41,236	5,031	1,297	47,564
Payroll taxes and workers compensation	49,247	6,009	1,537	56,793
Office expense	8,441	8,442	7,464	24,347
Legal and accounting		4,400		4,400
Telephone	1,952	2,929		4,881
Utilities	25,799			25,799
Insurance	15,584			15,584
Repairs and maintenance	25,876			25,876
Vehicles	3,144			3,144
Resident expenses	33,533			33,533
Childrens' summer program	10,317			10,317
Resident graduation program	8,315			8,315
Resident counseling program	14,941			14,941
Offsite supportive housing	102,156			102,156
Travel and training	3,973	2,649		6,622
Other	2,961	9,156		12,117
Depreciation	32,772	7,934		40,706
	<u>\$ 759,949</u>	<u>\$ 92,878</u>	<u>\$ 22,152</u>	<u>\$ 874,979</u>

The accompanying notes are an integral part of the financial statements.

Providence House
 Statements of Cash Flows
 For the Years Ended September 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Operating Activities		
Change in net assets	\$ 170,564	\$ 157,926
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	52,910	40,706
Net unrealized losses on investments		17,681
(Increase) decrease in operating assets:		
Grant receivables	(14,784)	(24,204)
Other receivables	(823)	456
Increase (decrease) in operating liabilities:		
Accounts payable	2,805	18,357
Accrued expenses	3,367	10,638
 Net cash provided by operating activities	 <u>214,039</u>	 <u>221,560</u>
 Investing Activities		
Payments for property and equipment	(78,666)	(38,451)
Purchases of short-term investments	(65,637)	(126,742)
 Net cash used in investing activities	 <u>(144,303)</u>	 <u>(165,193)</u>
 Net increase (decrease) in cash and cash equivalents	 69,736	 56,367
Cash and cash equivalents as of beginning of year	<u>87,598</u>	<u>31,231</u>
Cash and cash equivalents as of end of year	<u>\$ 157,334</u>	<u>\$ 87,598</u>

The accompanying notes are an integral part of the financial statements.

Providence House
Notes to Financial Statements
September 30, 1999 and 1998

(1) *Summary of Significant Accounting Policies*

A. *Nature of Activities*

Providence House is a nonprofit corporation under the laws of the State of Louisiana. Providence House was established to provide housing services, training, employment and opportunities for breaking the cycle of homelessness. The support for Providence House comes primarily from private donations and grants which represent approximately 55% of revenues.

Approximately 45% of total revenues consist of contractual revenue of federal and state funds. A brief description of the programs – contracts, which are funded with those federal and state funds are listed:

Emergency Shelter Grants Program – Provides funds to assist in maintaining a shelter for homeless families. Funding is provided by federal funds passed through the City of Shreveport.

Emergency Food and Shelter – FEMA – Provides funds to assist in maintaining a shelter for homeless families. Funding is provided by federal funds passed through the local FEMA Board.

Children's Trust Fund – Provides funds to assist homeless children and their families to aid in the prevention of child abuse and neglect. Specifically to implement a resource support system to provide emotional, medical, educational and recreational support services for homeless children and their parents. Funding is provided by federal and state funds passed through the State of Louisiana Department of Social Services.

Supplemental Assistance for Facilities to Assist the Homeless (SAFAH) – Provides funds for the operation of a child care program for the residents of a homeless shelter and other homeless children. Funding is provided by federal funds passed through Shreveport SRO, Inc.

Community Development Block Grant – Provides funds to provide shelter for the homeless and to assist families with breaking the cycle of homelessness. Specifically, to ensure that families will be allowed to move from a structured program to an unstructured, independent program through a series of levels showing a proven responsibility and disciplined lifestyle. Funding is provided by federal and state funds passed through the City of Shreveport.

Supportive Housing Program – Transitional Living Program – Provides funds to facilitate the movement of homeless individuals and families to permanent housing. The temporary housing is combined with supportive services to enable homeless individuals and families to live as independently as possible. This program funds the education, counseling, housing and follow-up programs for Providence House. Funding is provided by federal funds from the U.S. Department of Housing and Urban Development.

(Continued)

Providence House
Notes to Financial Statements
September 30, 1999 and 1998
(Continued)

Supportive Housing Program – Project Next Step – Provides funds to facilitate the movement of homeless individuals and families to permanent housing. The funds will provide lease arrangements for individuals and families along with supportive services to enable homeless individuals and families to break the cycle of homelessness. Funding is provided by federal funds from the U.S. Department of Housing and Urban Development.

Special Milk Program – Provides funds to assist in providing milk to children who are residents of a homeless shelter, or children who are otherwise homeless. Funding is provided by federal funds passed through the State of Louisiana Department of Education.

B. Basis of Accounting

The financial statements of Providence House have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

D. Investments

Investments consist of U.S. Treasury Bills and marketable securities. U.S. Treasury Bills are stated at cost, which approximates the market value. Marketable securities are stated at fair value.

E. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

F. Cash and Cash Equivalents

Cash equivalents, as stated for cash flow purposes, consists of non-interest bearing bank accounts and short term highly liquid investments which are readily convertible into cash within ninety (90) days of purchase.

(Continued)

Providence House
Notes to Financial Statements
September 30, 1999 and 1998
(Continued)

G. Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The funding sources and the federal government may have a reversionary interest in certain property purchased with those funds. Its disposition as well as the ownership of any proceeds therefrom is subject to certain funding source regulations.

H. Revenue and Support

Donations and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contractual grant revenue is reported as unrestricted support due to the restrictions placed on those funds by the funding sources being met in the same reporting period as the revenue is earned.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

I. Income Tax Status

Providence House is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the organization's tax-exempt purpose is subject to taxation as unrelated business income. Providence House had no such income during this audit period.

J. Retirement Plan

Providence House established a profit-sharing plan for eligible employees. The name of the plan is Providence House Retirement Plan. During the year ended September 30, 1999, Providence House amended its plan to allow employees to have a 401(k) option. The plan shall cover only employees having completed at least one year of service and having attained age 21. The employer contribution amount is determined by appropriate action of the Employer as of the time prescribed by law. Providence House accrued \$31,357 for the plan for the year ended September 30, 1998 and \$31,000 for the year ended September 30, 1999.

(Continued)

Providence House
Notes to Financial Statements
September 30, 1999 and 1998
(Continued)

K. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(2) Concentrations of Credit Risk

Financial instruments that potentially subject Providence House to concentrations of credit risk consist principally of temporary cash investments and grant receivables.

Concentrations of credit risk with respect to grant receivables are limited due to these amounts being due from governmental agencies under contractual terms. As of September 30, 1999 and 1998, Providence House had no significant concentrations of credit risk in relation to grant receivables.

Providence House maintains cash balances at local financial institutions. Accounts at those institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At September 30, 1999 and 1998 there were no uninsured balances at those institutions. At September 30, 1999 and 1998, Providence House had no significant concentrations of credit risk.

(3) Investments

The historical cost and fair value of investments at September 30, 1999 and 1998 were as follows:

	1999		1998	
	Cost	Fair Value	Cost	Fair Value
U.S. Treasury Bills	\$ -	\$ -	\$ 141,246	\$ 141,246
Stocks	191,402	185,968	88,138	70,457
Money market account	103,204	103,204	11,832	11,832
	<u>\$ 294,606</u>	<u>\$ 289,172</u>	<u>\$ 241,216</u>	<u>\$ 223,535</u>

(4) Grant Receivables

Various funding sources provide reimbursement of allowable costs under contracts or agreements. These balances represent amounts due from the funding sources at September 30, 1999 and 1998 but not received until after that date.

(Continued)

Providence House
Notes to Financial Statements
September 30, 1999 and 1998
(Continued)

(5) Fixed Assets

A summary of fixed assets as of September 30, 1999 follows:

	<u>Estimated Useful Life</u>	<u>Cost / Basis</u>	<u>Accumulated Depreciation</u>
Land	N/A	\$ 117,830	\$ -
Buildings	25 years	159,900	46,008
Building improvements	25 years	35,168	9,630
Furniture & fixtures	7 years	51,752	36,617
Office equipment	5 years	54,845	37,290
Kitchen equipment	7 years	14,828	6,816
Playground equipment	7 years	40,105	9,682
Classroom computer lab	5 years	72,969	38,829
Vehicles	5 years	24,448	17,113
		<u>\$ 571,845</u>	<u>\$ 201,985</u>

Depreciation expense for the year ended September 30, 1999 was \$52,910.

A summary of fixed assets as of September 30, 1998 follows:

	<u>Estimated Useful Life</u>	<u>Cost / Basis</u>	<u>Accumulated Depreciation</u>
Land	N/A	\$ 74,486	\$ -
Buildings	25 years	159,900	39,548
Building improvements	25 years	35,168	8,224
Furniture & fixtures	7 years	37,603	29,813
Office equipment	5 years	46,408	26,991
Kitchen equipment	7 years	14,828	4,341
Playground equipment	7 years	40,105	5,265
Classroom computer lab	5 years	60,233	22,669
Vehicles	5 years	24,448	12,224
		<u>\$ 493,179</u>	<u>\$ 149,075</u>

Depreciation expense for the year ended September 30, 1998 was \$40,706.

(Continued)

Providence House
Notes to Financial Statements
September 30, 1999 and 1998
(Continued)

(6) Restricted Cash – Resettlement Funds

The balance represents funds held by Providence House on behalf of the tenants of Providence House. Providence House has implemented a program whereby the tenants agree to escrow–deposit a certain percent of their support – wages into this account as they receive those funds. Upon graduation and/or leaving the shelter those funds will be distributed to the tenant or retained by Providence House. This amount is also shown as escrowed resettlement funds in the liability section on the statement of financial position.

(7) Unrestricted Net Assets – Board Designated

Included in the unrestricted net assets are amounts designated by the Board for the following:

	1999	1998
Funds received from insurance company designated for repairs to roofing structure	\$ 10,025	\$ 10,025
Funds received from a local organization designated for non–operating – capital expenditures	62,155	62,155
Funds designated by Board for internal endowment fund	<u>185,968</u>	<u>82,289</u>
	<u>\$ 258,148</u>	<u>\$ 154,469</u>

(8) Temporarily Restricted Net Assets

Temporarily restricted net assets consists of grant funds received for specific purposes which were not expended as of September 30, 1999 and 1998.

(Continued)

Providence House
Notes to Financial Statements
September 30, 1999 and 1998
(Continued)

(9) Contractual Revenue – Grants

Revenues shown as contracts with governmental agencies for the years ended September 30, 1999 and 1998 consist of the following:

	<u>1999</u>	<u>1998</u>
City of Shreveport – ESG	\$ 150,082	\$ 99,970
FEMA	16,660	16,193
Childrens Trust Fund	20,000	18,500
SAFAH Grant	54,658	53,848
Special Milk Program	2,296	1,625
CDBG	7,676	26,865
U.S. Department of HUD Supportive Housing	282,784	237,582
Other	–	4,609
Food Stamp Program	<u>27,315</u>	<u>29,986</u>
	<u>\$ 561,471</u>	<u>\$ 489,178</u>

(10) Accrued Expenses

An analysis of Providence House's accrued expenses at September 30, 1999 and 1998 is as follows:

	<u>1999</u>	<u>1998</u>
Payroll taxes	\$ 7,979	\$ 5,387
Garnishments	1,132	–
Retirement	<u>31,000</u>	<u>31,357</u>
	<u>\$ 40,111</u>	<u>\$ 36,744</u>

(11) Leases

Providence House leases certain facilities under operating leases in conjunction with its supportive housing program. The rental costs on these leases for the years ended September 30, 1999 and 1998 were \$81,000 and \$49,197, respectively. As of September 30, 1999, there were no obligations under these lease agreements in excess of one year.

Providence House
Shreveport, Louisiana
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 1999

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Project Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Program:			
Supportive Housing Program	14.235	LA48B95-0818C	\$ 7,400
Supportive Housing Program	14.235	LA48B96-1302	186,513
Supportive Housing Program	14.235	LA48B97-0804	88,870
Passed through Shreveport SRC, Inc.:			
Supplemental Assistance for Facilities to Assist the Homeless (SAFAH)	14.235	N/A	54,658
Passed through the City of Shreveport:			
Emergency Shelter Grants Program Round XXI	14.231	N/A	26,685
Round XXII	14.231	N/A	72,059
Round XXIII	14.231	N/A	51,338
Community Development Block Grant	14.218	N/A	7,676
<u>U.S. Federal Emergency Management Agency</u>			
Emergency Food and Shelter	83.523	N/A	16,660
<u>U.S. Department of Agriculture</u>			
Passed through the State of Louisiana, Department Of Education Special Milk Program	10.556	N/A	2,296
Total Federal Expenditures			<u>\$ 514,155</u>

NOTE: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

COOK & MOREHART

Certified Public Accountants

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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*

To the Board of Directors
Providence House
Shreveport, Louisiana

We have audited the financial statements of Providence House as of and for the year ended September 30, 1999, and have issued our report thereon dated March 17, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

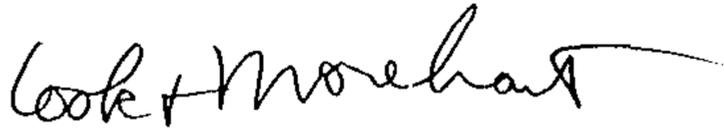
Compliance

As part of obtaining reasonable assurance about whether Providence House's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Providence House's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Board of Directors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Cook & Morehart", with a long horizontal flourish extending to the right.

Cook & Morehart
Certified Public Accountants
March 17, 2000

COOK & MOREHART

Certified Public Accountants

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Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance In Accordance With OMB Circular A-133

To the Board of Directors
Providence House
Shreveport, Louisiana

Compliance

We have audited the compliance of Providence House with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 1999. Providence House's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Providence House's management. Our responsibility is to express an opinion on Providence House's compliance based on our audit.

*We conducted our audit in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Providence House's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Providence House's compliance with those requirements.*

In our opinion, Providence House complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 1999.

Internal Control Over Compliance

The management of Providence House is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Providence House's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Board of Directors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Cook & Morehart", with a long horizontal line extending to the right.

Cook & Morehart
Certified Public Accountants
March 17, 2000

Providence House
Summary Schedule of Prior Audit Findings
September 30, 1999

There were no findings or questioned costs for the prior audit period ending September 30, 1998.

Schedule of Findings and Questioned Costs
September 30, 1999

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Providence House.
2. No reportable conditions are reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Providence House were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award program is reported in the Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditor's report on compliance for the major federal award program for Providence House expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award programs for Providence House reported in Part C. of this Schedule.
7. The program tested as a major program included: 1.) Supportive Housing Program, CFDA #14.235.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Providence House qualifies as a low-risk auditee.

B. Findings – Financial Statements Audit: None

C. Findings and Questioned Costs – Major Federal Award Programs Audit: None

Providence House
Summary Schedule of Audit Findings for the Louisiana Legislative Auditor
September 30, 1999

Summary Schedule of Prior Audit Findings

There were no findings or management letter comments for the prior year ended September 30, 1998.

Corrective Action Plan for Current Year Audit Findings

There are no findings or management letter comments for the current year ended September 30, 1999.